

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 987 – HB 1109

March 28, 2018

SUMMARY OF ORIGINAL BILL: Deletes the existing requirement for a student to meet one of the following in order to qualify for the Individualized Education Account (IEA) Program: (1) was previously enrolled in a Tennessee public school during the previous two semesters; (2) is attending a Tennessee school for the first time; or (3) received an IEA in the previous academic year.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$77,800/FY18-19/Department of Education

\$81,700/FY19-20/Department of Education

\$85,800/FY20-21/Department of Education

Exceeds \$85,800 /FY21-22 and Subsequent Years/Department of Education

Increase Local Expenditures – Exceeds \$583,500/FY18-19*

Other Fiscal Impact – For local education agencies (LEAs) with students that opt to participate in the IEA program, the net shift of state and required local BEP funding from these local education agencies to the participating entities is estimated as follows: \$1,867,300 in FY18-19; \$1,961,600 in FY19-20; \$2,059,400 in FY20-21; and amounts exceeding \$2,059,400 in FY21-22 and subsequent years.

SUMMARY OF AMENDMENT (016287): Deletes all language after the enacting clause. Requires the Office of Research and Education Accountability in the Office of the Comptroller of the Treasury (COT) to study and report on the use of funding provided by the state share of funds generated for components within the instructional salaries and wages category of the basic education program (BEP). Authorizes all four-year public institutions of higher education to create a school of classical liberal virtue within the institution to teach courses on classical liberal political theory, classical economics, and the morality of the founding fathers of the United States Constitution utilizing original source materials.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

Exceeds \$1,410,000/FY18-19/Higher Education Institutions

**Exceeds \$1,210,000/FY19-20 and Subsequent Years/Higher
Education Institutions**

Increase State Expenditures –

Exceeds \$1,410,000/FY18-19/Higher Education Institutions

**Exceeds \$1,210,000/FY19-20 and Subsequent Years/Higher
Education Institutions**

Assumptions for the bill as amended:

- The COT will be able to create the report in accordance with the provisions of this legislation during the normal course of business; therefore, any fiscal impact related to the COT report is estimated to be not significant.
- The decision to create a school of liberal virtue is at the behest of each university.
- To the extent a public university in Tennessee creates a school of classical liberal virtue; there will be an increase in state expenditures.
- A school of liberal virtue will be created in at least one public university in FY18-19.
- There will be a one-time increase in state expenditures exceeding \$200,000 for overhead, facilities, and other startup costs.
- Based on information provided by the University of Tennessee, in order to create one school of classical liberal virtue, there would be recurring increases in state expenditures estimated to be at least \$1,210,000 consisting of salaries (\$765,000) and benefits (\$300,000), administrative support (\$35,000), and other recurring operational costs (\$110,000).
- The increase in state expenditures in FY18-19 is estimated to exceed \$1,410,000 (\$1,210,000 + \$200,000); the recurring increase in state expenditures is estimated to exceed \$1,210,000 in FY19-20 and subsequent years.
- It is assumed that universities will not create schools of liberal virtue unless tuition revenue from such class offerings is expected to be sufficient for covering all costs incurred as a result of creating the school. Therefore, the increase in state tuition revenue is estimated to exceed \$1,410,000 in FY18-19, and is estimated to exceed \$1,210,000 in FY19-20 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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